



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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In Reply Refer To:
UT-042
3602: UTU-73390-A3

September 29, 2008

Mr. Niles Veal
Permit Manager
Twin Mountain Rock Company
P.O. Box 1009
Sheridan, WY 82801

Dear Mr. Veal:

This letter is response to your written request, dated August 1, 2008, to renew Twin Mountain Rock Company's current sales contract to extract Federally-owned mineral material at the Milford Ballast Rock Quarry. The Milford Quarry occupies BLM-managed land on portions of secs.10, 11, 12, and 14, T. 27 S., R. 11 W., Beaver County, Utah.

In your letter, you propose a sales contract amount of 2,500,000 tons of ballast rock to be sold over a period of five years to the Union Pacific Railroad, with the understanding that the base royalty rate for these sales would be \$0.43/ton. You also propose that the contract allow for the sale of an unspecified amount of other mineral material produced at the site as by-products or co-products of ballast rock production, provided that the royalty be assessed at the rate of 7.5% of actual sales price at the mine site.

As you will recall from your previous contract requests, BLM is required to collect "case-by-case fees" associated with processing of competitive mineral material sales under regulations 43 CFR 3602.43 and 43 CFR 3000.11. Under these regulations, we are required to provide you with a written fee estimate of the additional costs associated with obtaining a new contract prior to processing the contract. In the present case, in the interest of expediency, Mr. Ginouves of my staff has contacted you by telephone and obtained your verbal approval on an estimated cost recovery fee in the amount of **\$536.00** for processing the proposed mineral material contract. Attached is a copy of the Fee Estimate for Case-by-Case Processing. Please sign the enclosed estimate and return it to this office, before or concurrently with the enclosed sales contract and the required initial sales contract payment discussed below.

The contract terms and conditions should reflect those you requested in your letter and discussed through a telephone conversation with Ed Ginouves of my staff on September 23, 2008. Please review the contract terms thoroughly and contact this office immediately if there are any errors or questions in regard to those terms and conditions. The contract period begins on October 1, 2008 and terminates in five years on September 30, 2013. The following highlights the critical aspects of the contract.

The contract area, Sec. 1 of the contract, is the current large mine permit area as approved and bonded through the State of Utah, Division of Oil, Gas, and Mining (DOGM) under permit M/001/036.

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DIV. OF OIL, GAS & MINING

Under Sec. 2 of the contract, covering amount and prices of the materials, all materials sold are grouped into two categories for purposes of royalty payment, just as in the current contract. The first sales category covers all sales of Class 1 and Class 2 railroad ballast sold to the Union Pacific Railroad. The royalty rate to the BLM for these sales will initially be at \$0.43 per ton sold. This base royalty rate will be adjusted initially effective May 1, 2009, based on an adjustment factor derived from the Bureau of Labor Standard PPI for series ID: WPU13210121, nonmetallic mineral products, crushed and broken stone. The details of the adjustment factor are set forth in the special stipulations attached to the contract. The second sales category applies to all other materials sold through the operation from the Federal lands within the large mine permit area. This includes all rip-rap, roadbase, minus ¾", other processed and unprocessed rock, and any ballast rock sold to entities other than the railroad. The royalty on these other materials is set at 7.5% of the sales price at the loadout/sales point, throughout the contract period. In the case of these other sales there is no minimum or maximum amount associated with the contract, only that all material sold in the contract period have royalty paid at the 7.5% rate.

Section 3 of the contract requires an initial payment of 5% of the royalty value of the contracted railroad ballast, in this case **\$53,750.00**, prior to initiating removals under the contract. As soon as sales are initiated, royalty is to be paid monthly for all sales made during the month. Payment must be received by the BLM no later than 15 days after the monthly sales period.

To activate the contract you will need to sign the enclosed contract and cost recovery fee estimate, and return the originals to this office along with a check for \$53,750.00 for the contract initial payment and \$536.00 for the cost recovery fee, both made out to the BLM. Please reference the contract number, UTU-73390-A3, in any subsequent payments made or other correspondence concerning the Milford Quarry sales contract.

Should you have any questions, please contact Ed Ginouves or my staff at 435-865-3040.

Sincerely,



Randy M. Trujillo
Associate Field Office Manager

Enclosures: UTU-73390-A3 cost recovery estimate
UTU-73390-A3 contract document

cc: Tom Munson, DOGM
Mr. Craig Pfingsten, General Manager – Western Quarries Division Group, Twin Mountain Rock Company, P.O. Box 578, 70001 US Hwy 75, Fort Calhoun, NE 68023